SYNOPSIS

MARKETING STRATEGIES OF LIC IN KERALA

Introduction

Marketing services, especially life insurance products and services, demands strategic approach in its design and development, pricing, distribution, promotion, making up of service scape (physical evidence), setting service standards and procedures (process), equipping personnel (people) and performance evaluation to face the competitive environment. The reforms in the insurance sector ultimately leading to the opening of the sector to private participation and foreign equity brought in major changes not only in the design of products available in market but also the manner in which they are marketed. This called for strategic approaches in the formulation and implementation of marketing decisions. The availability of variety products and services, advent of innovative channels of distribution, creative promotional efforts in product positioning, greater use of Information technology in enhancing speed and quality of service, trained and professional looking sales personnel, drastic shifts in the facilities and utilities provided at service scape are the outcomes of strategic approach in marketing services. The interrelation of marketing policies, practices and strategies of LIC, in terms of marketing mix elements viz product, price, place (distribution), promotion, people, process and physical evidence, the resources and capabilities possessed with performance variables like market share, return on investment, sales growth (in terms of number of polices), customer retention (persistency ratio) and corporate image highlights the effectiveness of policies, activities and strategies pursued.

The present study concentrates on individual customers (policyholders) , to identify their level of awareness on financial products and services especially life insurance products and services leading to evaluation of their investment preference, assessment of purchase behaviour and analysis of their perception on promotional strategies and media, satisfaction towards products and services in terms of marketing mix elements and services of individual agents, perception on the level of knowledge of agents on LIC, its products and services, customer needs and attitudes, their attitude and behavioural pattern and brand image, brand trust, brand loyalty and brand equity of LIC, and Individual agents of Life insurance corporation of India with specific objective of identifying their perception on insurance profession, major problems in marketing life insurance, experience on their duties, tasks and activities along with their skills, abilities and knowledge on life insurance products and services, promotional objectives and effectiveness of promotional media and marketing strategies, resources, capabilities, performance and approaches and practices in marketing life insurance products and services.

Statement of the Problem

Marketing of services require great effort due to its special features like intangibility, inseparability, heterogeneity and perishable nature. The level of awareness of customers on financial products and services especially life insurance products and services, the investment attitude and preference towards life insurance play vital role in deciding their behaviour as to purchase decision. Marketing strategies are to be designed in tune with customer needs and demands that are linked to their purchase decision.LIC employs promotional tools such as advertising, personal selling and public relation in marketing

insurance products. The utility , effectiveness of these tools and the level of influence of media , in enhancing customer awareness and ultimately persuading to buy policies, in the promotional mix decides the success of promotional strategies .The level of satisfaction of customers on products and services , the services of individual agents in specific , the direction of customers perception on the knowledge and attitude of agents on the organisation, customer needs , products and services and attitude and behavioural pattern of agents , the brand image, brand trust, brand loyalty and brand equity as perceived by customers serve as an indicator of effectiveness of marketing policies and practices pursued. The perception of customers on the effectiveness of marketing policies and practices of organisation may vary based on certain demographic features like employment status, family status, area of residence, income level, age group etc. The self evaluation of attitude of agents towards their profession, their experience on fundamental duties and responsibilities, confidence on their skills and abilities will be helpful in dictating the role of agents in enhancing effectiveness of marketing strategies. Individual agents face varied problems in the course of marketing insurance products. The problems may be in multiple dimensions (product, price, people, process, financial status and level of knowledge of customer etc) having variation over area to say Rural and Urban. The interrelationship of marketing mix variables of LIC along with its activities, resources and capabilities with the organisational performance indicators draw out the effectiveness of overall organisational efforts as to product /service design and development, managing personnel , promoting services and designing service scape attractive and useful to customers. The approach and practices pursued by agents in handling objections, locating prospective customers and criteria depended on in to match

policies with prospects have prominent role in determining their sales potential. The identification of factors influencing the marketing career making easier in the perspective of agents and the most preferred feature of policies by customers in the life insurance products enable rethinking on the effectiveness of existing strategies

Here the researcher intends to examine the level of awareness of customers on financial product, life insurance in specific, the factors influencing the purchase decision, customer satisfaction in life insurance products and services, services of agents in specific and perception of customers on the knowledge and attitude of agents in marketing life insurance products and the impact of brand image, brand trust, brand loyalty over brand equity and the impact of customer satisfaction on the products and services of LIC over its brand equity. The problems faced in the course of marketing insurance and the effectiveness of promotional media employed by LIC in respect of area i.e., rural and urban are analysed. The driving forces behind the business performance measures in respect of marketing mix elements and resources, capabilities and organisational activities and their relationship are evaluated. The study also covers an examination of the approaches and practices followed by agents in location of prospective customer, criteria adopted in recommending policy, methods of handling objections and services provided by agents before and after issue of policy.

Significance of the Study

The deregulated market environment calls for well thought out marketing strategies with defined purpose to realise its organisational objectives that may be customer retention, enhancing corporate image, growth in market share, better return on investment apart

from creating satisfied or delighted customer. Designing and implementing marketing mix element strategies (i.e., Product, Price, Place, Promotion, People, Process and Physical Evidence) play vital role in facing the competitive environment to achieve competitive edge over opponents. The study will be worthwhile in designing the basic strategies for marketing selected life insurance products in the competitive environment and in evaluation of policies and strategies presently pursued in both rural and urban segments. This is making the competition much tougher for the life insurance companies as most of the companies offer similar features, premium and facilities. Therefore it has become very important for the life insurance companies to concentrate on life insurance marketing and attract customers towards the organisation. A large number of players have entered the market and are trying to accelerate their market share and enhance customer base. This demands continuous monitoring of policies and practices pursued especially with regard to product design, people service quality, service environment, fixation of premium, selection of suitable channel of distribution, media and message of promotion, service standards. The study also aims to present a clear picture of recent trends in the marketing efforts pursued in the insurance sector. The insurance market has become much complex due to the availability of multiple products, changing investment preferences of customers, varied promotional tools and techniques employed by competitors. This highlights the need for an in-depth examination of marketing policies, practices and strategies pursued to maintain strategic position in the competitive environment.

Period of Survey

After review of literature and having discussion with leading life insurance agents of LIC, Development Officers and Branch Managers, interview schedule was framed to conduct pilot study. Pilot study was conducted among hundred policyholders and fifty life insurance agents using the structured interview schedule for a period of three months from June 2012 to August 2012. After testing the reliability, and fixing the sample size, the final questionnaire was administered to 530 sample policyholders and 310 sample life insurance agents (individual) for a period of 6 months from September, 2012 to February, 2013.

Period of Reference

In order to have an overview over the trends in number of marketing and service employees (agents and officers) using published data, long periods were considered covering a period of 56 years from 1956 to 2012. To present the current scenario, secondary data for a period of ten years from 2001 to 2012 is used.

Objectives of the Study

The main objectives of the study are:

1. To identify the level of awareness of policyholders on selected financial products, purchase and servicing of selected products and services of LIC and examine their purchase bebaviour on life insurance products

2. To examine the promotional strategies of LIC for the selected products and assess the effectiveness of such strategies

4. To evaluate the effectiveness of marketing mix strategies in terms of customer satisfaction on the selected products and services of LIC.

5. To assess the perception of customers on brand image, brand trust, brand loyalty and brand equity and examine the impact of customer satisfaction on brand equity

6. To evaluate the relationship and impact of marketing mix strategies, resources, activities and programmes of LIC on its performance measures

7. To analyse various problems and difficulties faced by agents in marketing life insurance products and services of LIC

Methodology and Sampling Design

The design of the present study is descriptive in nature. The study requires both primary and secondary data. Primary data were collected from the sample policyholders and life insurance agents of Kerala using a structured questionnaire. The secondary data were obtained from the Annual Reports and Hand Book of Insurance Statistics and Journals of IRDA, Annual reports of LICI, Journals of Insurance Institute of India, publications of NIA (Pune), Annual reports of Swiss Re, State Planning Board, and Database on Indian Economy maintained by RBI. Random sampling with proportional allocation has been used for the selection of the sample for the study. The study variables were finalized after conducting pilot study on 100 policyholders and 50 agents from all 5 divisions and sample size was determined statistically.

Sample for Policyholders

LIC has 5 Divisions in Kerala viz Thiruvananthapuram, Kottayam, Ernakulam, Thrissur and Kozhikode. A sample size of 530 policyholders is fixed statistically to represent the whole population. This sample size is allocated to each Division, based on the proportion of policyholders (as on 31-03-2012) in the five Divisions.

Sample for Agents

A sample size of 310 agents is fixed statistically to represent the whole population. This sample size is allocated to each Division, based on the proportion of agents (as on 31-03-2012) in the five Divisions.

Tools Used for Analysis

The statistical tools used for analysis of primary data consist of cross-tabulation, descriptive Statistics like arithmetic mean, standard deviation, variance, percentage etc. The statistical methods used for Hypothesis testing include Log-linear Multinomial Model, Chi-square test, Friedman's Test for K-related samples, ANOVA, MANOVA, Regression, Linear and Multiple , Canonical Correlation, Conjoint Analysis, Man Whitney Test, Kruskal Wallis Test, Concordance Kendall's test, Independent sample T test and One sample Kolmogorov –Smirnov test.

Major Findings

1. The analysis of level of awareness on long term saving instruments shows that awareness as to capital market products are found to be high among respondents in urban area. Among different occupational groups, Government Servants are found to have higher level of awareness on Government Schemes and Capital Market Products and Agriculturists have higher level of awareness on chit funds.

2. The two way anova on the awareness as to purchase of life insurance products and services, among the seven elements of marketing mix with regard to area, occupation and family structure, reveals that level of awareness on product and

distribution channel are found to be high among respondents in nuclear family structure.

3. Among the respondents 82.3 per cent felt that they are not adequately covered by life insurance and the most vital reason behind it are low income, preference towards other investment, lack of sufficient knowledge and lack of conviction/belief/confidence in investment in the order.

4. The analysis of customer purchase behaviour by Man Whitney and Kruskal Wallis test shows that while rural respondents depend on TV Advertisements, urban respondents depend on internet/websites to know on life insurance products and services. It is also found that NRI/Foreign employed depends on internet/website, agriculturists depend on Bill Boards, Wall Writings; respondents belonging to nuclear family structure depend on friends/relatives to know about life insurance products and services.

5. The decision as to purchase of life insurance is taken by head of family in case of respondents belonging to category "Others". The policyholders coming in NRI/Foreign Employed take own decision ; with regard to family structure group, head of family takes decision in nuclear family while in joint family structure group the respondents depend on own decision as to purchase of life insurance policies.

6. The most influencing element to choose LIC for buying life insurance policies among business and self employed are found to be LIC office staff and in case of NRI/Foreign Employed the influencing element is Informative brochures. In case of family structure groups nuclear family structure is influenced by Life insurance office staff and respondents in joint family structure choose LIC based on their own perception and interest.

7. The analysis of the motivating element in marketing mix of LIC to buy policies from LIC points out that place mix was found motivating among rural respondents and those coming to business self employed category. The product element was the motivating factor among respondents in joint family structure group and the occupational group others were motivated by physical evidence element.

8. The basic motive behind choosing life insurance is found to be income tax relief among urban respondents. It was acquisition of home assets and bequest motives/final expense among rural residents. Based on occupational category government servants opt for life insurance to avail income tax relief, private servants buy life policies with motive of wealth creation/additional income. The agriculturists group is driven by the motive of child education /marriage and bequest motive/final expenses in having policies. The basic motives of respondents belonging to business and self employed are old age protection and debt payment/loan facilities. While policyholders in joint family structure group

take policies with motive of risk coverage and income tax relief, child marriage and education motives are opted by respondents in nuclear family structure group.

9. The MANOVA test applied on the four factors identified on the usefulness of promotional tools of LIC, to locate the variance in the mean scores indicating the usefulness among three promotional tools, reveals significant variation at 5 per cent level. The univariate test also validates the result of MANOVA. Considering all the three tools (Advertisement, Personal Selling and Public Relation) as whole they are able to enhance company image, build right personal attitude, promote products and services and enhance utility in order as their mean values are 14.262, 13.392, 9.925 and 6.718 respectively.
10. The Kolmogorov smirnov z test on the evaluation of advertisements of LIC through various media reveals that the TV advertisements, news paper advertisements and promotion through calendars, diaries and business cards of agents are found to be most influencing in the promotion mix of LIC as to persuading policyholders in buying policies of LIC.

11. The result of two way anova shows that except as to the process element of marketing mix with regard to area and on all other elements of marketing mix with regard to area of residence, occupation and family structure and the elements of process as to occupation and family structure, the satisfaction of customers are found to be similar. The satisfaction as to the process element of marketing mix is found to high among respondents in urban area.

12. The satisfaction level of policyholders as to services before and after issue of policy points out that the level of satisfaction of policyholders after issue of policy residing at urban area is high compared to rural area.

13. The basic motive/ reason behind choosing a particular agent in servicing policy among the respondents are found to be their character of knowledgeable and expertised followed by relative /friend.

14. The brand image and brand trust of urban respondents on LIC are found to be high compared to rural area.

15. It is found as per the regression analysis that brand equity of LIC is influenced to great extent by brand image, brand trust and brand loyalty. And the brand trust is highly decided by service satisfaction before and after issue of policy.

16. The analysis of impact of satisfaction of policyholders on the marketing mix elements of LIC by brand equity using regression points out that product, place, people and physical evidence elements of marketing mix are powerful factors determining brand equity of LIC.

17. The most preferred feature of policies of LIC as per the conjoint analysis is loyalty additions and bonus followed by safety and liquidity features.

18. The test of preference of different occupational groups on policies offered by LIC using Kendall's coefficient of concordance exhibits that endowment policies and money back policies are most preferred by daily wage earners, salaried employees, agriculturist-farmers, business and self employed, professionals and pensioners. In case of NRI it comes to Jeevan Anand and Jeevan Tarang.

19. The perception of agents on their profession highlights that workload is found to be is high in Thiruvananthapuram division; and low in Kozhikode division. With regard to effectiveness of interaction with branch managers and development officers respondents in Kozhikode division feel highly effective; the reverse in case of Thrissur division. Sales promotion campaigns organised by LIC are found to be useful in Kottayam division and not effective as such in Ernakulam division as perceived by agents. Regarding the satisfaction level on training provided by LIC, agents in Kozhikode division feel highly satisfied.

20. Among the eight listed categories of problems, problems related to customer financial status followed by premium are found to be severe in marketing life insurance products and services in rural area than urban. While problems related to premium is highly persistent in Kozhikode division, the customer financial status is in Kottayam division. The problems felt by agents in marketing life

insurance products and services in all the five division together are problems related to customer financial status, premium, unhealthy market practices, services and facilities, customer approach, management practices of LIC, attitude of officials, customer perception, attitude, interest, knowledge in the order.

21. The independent t-test to identify the effectiveness of media employed by LIC in creating awareness and effecting sales in rural and urban area shows that word of mouth and customer contact programmes are effective in rural area; advertisements in magazines and journals, poster/banner/sign board/hoardings, internet/website, email, wall paintings/paper inserts/bound inserts in books, trans-slides, electric display, information kiosks and taxi cab are found to be effective in urban area.

22. The major reason for not reaching the message of promotional efforts by LIC among prospective customers are found to be wrong selection of media and inadequate usage of media in Thrissur division, improper theme/message of advertisement and improper language of advertisement in Kottayam and Thiruvananthapuram division respectively. It is also found that promotional efforts are most effective in realising the promotional objectives in Kozhikode division.

23. The analysis of impact of marketing mix strategies and resources activities and programmes of LIC on its performance indicators-market share, return on

investment, sales growth, customer retention and corporate image revealed that market share is influenced by physical evidence strategies and marketing resources and capabilities; return on investment is decided by marketing resources and capabilities, marketing consensus activities, marketing experience elements and promotional strategies, physical evidence strategies, process strategies and product strategies. The sales growth is influenced by marketing experience elements and marketing consensus activities and people, distribution channel, physical evidence strategies; the cross functional integration and physical evidence, promotional strategies are powerful determinants of customer retention and customer image is depended on marketing resource commitment activities, cross functional integration activities, marketing consensus activities and process and people strategies.

24. The result of canonical correlation on the relationship among marketing mix elements, resources/activities and programmes of LIC on its performance measures such as market share, return on investment, sales growth, customer retention and corporate image outlines that sales growth is closely relate to promotional and distribution strategies; market share to product strategies and corporate image to the pricing strategies of LIC. The cross functional integration activities are powerful in enhancing corporate image, return on investment and market share of LIC.

25. The most frequently raised objection in marketing life insurance products and services among customers are found to be in relation to return followed by product and mostly used means to handle is found to be substantiate by bringing to the right points. The basis of locating perspective clients is found to be using old customer recommendation especially in Kottayam division. The analysis of the most influencing element in making the life insurance career easier with regard to agents in Ernakulam division is found to be product and service quality and all other factors except corporate image and efficient office staffs, which are found to be equally influencing in all divisions, are found to be highly influencing agents in Kozhikode division.

Recommendations

1. Concrete policy measures should be taken to enhance the number of policies purchased with higher sum assured by offering attractive features preferred by customers.

2. Efforts should be taken to increase the utility of information technology in servicing policyholders. The dependents of customers for payment of premium and other services show the underutilization of information technology. The customer centric utilities should be provided in the website to get them motivated to ensure effective usage of information technology.

3. Proper initiatives to redress the problem of marketing life insurance products and services should be taken considering the fact that the severe problem faced by agents relates to poor customer financial status. The policies may be designed with reasonable, attractive premium that an average customer can accommodate.

4. The promotional efforts of LIC may be oriented towards advertisement and personal selling as it enhances company image build right attitude and enhance utility of products and services. The most influencing promotional media as TV advertisements, newspaper advertisements, calendar, diaries and business cards should be optimally utilised in enhancing effectiveness of promotional efforts and realising promotional objectives.

5. The promotional initiatives are to be reoriented ensuring that many of the medias like internet website, email, trans-slides electric display, information kiosks popular in urban areas should be made accessible to rural segments.

6. The regional language should be given importance in implementing promotional efforts and media selected should be suitable to customer segments and its theme and contents should be oriented in such a way that it adds to awareness and creates knowledge on products and services to the prospective customers.

7. The professional training should be imparted to agents as they are the back bone of LIC in its distribution channel contributing more than 90 percentage of

business and as the most preferred criteria by customers being knowledgeable and expertised characteristics of agents.

8. The satisfaction of policyholders as to product, place, people and physical evidence related elements of marketing mix plays critical role in deciding brand equity of LIC. Such policy measures enhancing utility of these elements by introducing variety products suitable to different market segments based on their demographic features, provision of alternative channel for acquiring policies, enhanced service quality with attractive service scape should be implemented in the organisation.

9. The process strategies are to be reoriented to enhance corporate image and LICI should effectively employ the distribution channel (place) strategies and people strategies that facilitate sales growth and manage cross functional integration activities that influences its corporate image, return on investment and market share heavily.

10. The most vital objection raised by policyholders is in relation to return. It is because of the fact that they are comparing the short term gains raised in other financial instruments with life insurance products and services. It is due to the lack of knowledge on the part of customers as to the intricacies of return on investment in life insurance. Educative measures are to be undertaken to correct misconception in respect of life insurance products and services.